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3 February 1956



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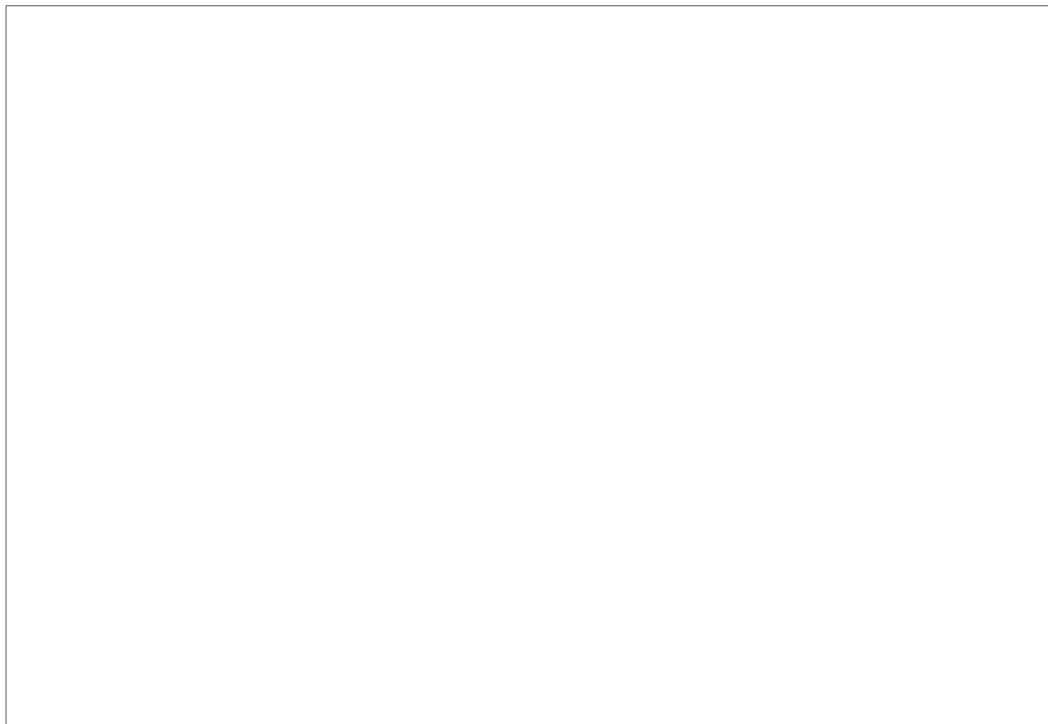
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1. SHEPILOV EXPLAINS NEW TRENDS IN SOVIET FOREIGN POLICY

 D. S. Shepilov, Soviet Communist Party secretary and chief editor of Pravda, recently told the Indonesian ambassador that a strong domestic

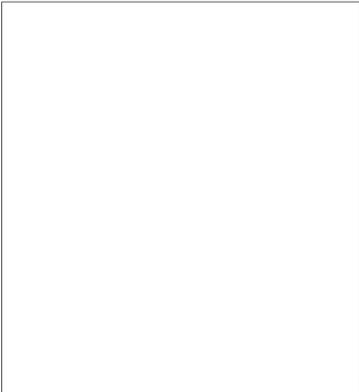
situation had allowed the USSR to expand its world diplomatic activity. According to Shepilov, the USSR for the first time is using "traditional diplomacy" in its Asian and Middle Eastern policy. It now has enough economic resources, cultural bases, and technical personnel, as well as a sufficiently ordered domestic scene, to enter "new" arenas of world diplomacy such as Asia, the Middle East, Africa, and Latin America. Shepilov remarked that the re-emphasis on heavy industry had helped create a stockpile of capital goods for trade with underdeveloped countries.

Soviet relations with Eastern European Satellites are being shaped by a process of growing interdependence between Communist countries which, he implied, resulted from a re-evaluation of the mistakes of the Stalin era and a recognition of the impossibility of controlling other countries.

Comment Shepilov's remarks, although tailored in part for his audience, are being borne out in Soviet diplomacy in underdeveloped areas.

This is further evidence that the USSR's new policy toward underdeveloped areas is long-term, based on an increasing export potential and the relative economic advantage to them of importing certain foodstuffs and industrial raw materials. (Concurred in by ORR)

**2. SOVIET VESSELS RESUME EUROPE-CHINA RUN
AFTER 18 MONTHS**



Six Soviet freighters are en route to Chinese ports, according to declarations made while passing Suez or Singapore during January. Four declared for Shanghai.



Comment



These are the first Soviet vessels from Europe to declare for

a Chinese port since the Chinese Nationalist seizure of the Soviet tanker Tuapse off the southern tip of Taiwan in June 1954. Although Satellite vessels have continued to sail from Europe directly to China, none has put in at Shanghai or any other Chinese port north of Taiwan since the Tuapse affair. Soviet ships from the Soviet Far East have continued to sail to Chinese ports well north of Taiwan during this period.



(Prepared by. ORR)

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3. POSSIBLE YUGOSLAV REPRESENTATION AT SOVIET PARTY CONGRESS

A report received by the US embassy in Belgrade states that Yugoslavia, in response to a Soviet invitation, has decided to send Krsto Popivoda, chairman

of the Yugoslav Communist Party control commission, as its representative at the Soviet party congress this month. Soviet ambassador Firyubin, at his own request, went to see Marshal Tito on 25 January, and Soviet party first secretary Khrushchev received Yugoslav ambassador Vidic two days later. Yugoslav under secretary for foreign affairs Micunovic told the Greek ambassador in Belgrade on 1 February that he knew of no Soviet invitation, but did not believe Yugoslav policy would preclude acceptance if one was delivered.

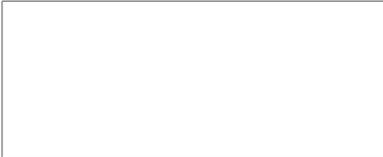
While the joint Yugoslav-Soviet declaration of last June contained a statement calling for the "social organizations of the two countries to establish contacts and to exchange socialist experiences," and the USSR has since been pushing for party ties, there is not known to have been any formal interparty exchanges to date.

Yugoslav reaction to any Soviet invitation could take the form of a counterproposal, such as a demand that a Yugoslav representative have a status different from that of representatives of other Communist parties. At a minimum, Yugoslavia would insist upon guarantees against embarrassing Soviet statements at the congress that would tend to create the impression abroad that the process of reconciliation between the two parties has progressed further than it actually has.

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4. JAPANESE APPARENTLY SET APRIL DEADLINE FOR SETTLEMENT WITH USSR



The Japanese ambassador to London told an American embassy official on 1 February that Shunichi Matsumoto, Tokyo's chief negotiator at the Soviet-Japanese peace treaty talks, is under pressure to arrange some sort of treaty by April.

The Japanese envoy said that Moscow's demand to close the Sea of Japan to warships of nations other than Korea, Japan and the USSR is considered only a bargaining point. He believes that the USSR will return the southern Kurils, thereby settling what the Japanese consider to be the major point at issue, and that this will assure conclusion of a treaty.

Comment

The pressure for a quick treaty probably stems from Premier Hatoyama and his close advisers, and from influential fishing interests which hope to regain access to rich fishing grounds off Soviet territory. The ambassador's remarks suggest that Tokyo expects some Soviet concessions which will enable the government to present the settlement as a diplomatic success, and thus enhance conservative prospects in the June election for the upper house of the Diet.

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5. FAST IMPLEMENTATION OF AFGHAN-SOVIET TIES

[REDACTED]

An agreement signed on 28 January governing terms of the Soviet \$100,000,000 credit and submission to a Soviet negotiating team now in Kabul of a countrywide list of projects point toward rapid implementation of the Soviet-Afghan agreement.

[REDACTED]

The \$100,000,000 credit is in the form of a 30-year agreement with interest at 2 percent, according to the Moscow press. The Afghans are to draw equal amounts each year for the first 22 years and begin repayment of each installment in eight years. Moscow probably hopes by granting substantial developmental aid on such terms to increase Afghanistan's dependence on the USSR for services and spare parts.

Kabul still insists officially that no strings are attached to the credit. The American embassy reports, however, that some Afghans are beginning to criticize the forced pace of Soviet implementation and the safeguards demanded on specific project agreements. [REDACTED] Concurred in by ORR)

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6. PRIME MINISTER OF CEYLON MAY VISIT PEIPING

[REDACTED] Sir John Kotelawala, prime minister of Ceylon, told the American ambassador [REDACTED] that many members of his cabinet feel he should accept Communist China's invitation to visit Peiping.

Kotelawala says he cannot continue to refuse Chou En-lai's invitations since other prime ministers in the area have visited China.

The ambassador comments that Ceylonese national elections in April and continued uncertainty over American aid to Ceylon cause Kotelawala to believe that announcement of such a trip would be politically and perhaps even economically sound.

Comment

Kotelawala might visit Peiping for prestige purposes whether or not the United States offers him economic assistance, since Ceylon is the only Colombo power whose prime minister has not already visited Communist China or scheduled a visit. During such a visit, Kotelawala would probably not establish diplomatic and consular relations. He would, however, possibly be expected by his government to expand Ceylon's economic ties with Communist China.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 2 February)

[redacted]
[redacted] increased Egyptian paratroop training has been observed recently. Formations of as many as eight C-46 aircraft have been observed participating in drop maneuvers, and additional C-46's are being reconditioned. [redacted]

Syrian chief of staff Shuqayr stated [redacted]
[redacted] that Syria does not want war, but war will begin in Banat Yacov if the Israelis want it. Shuqayr also said he expected Egypt to reply by 1 February to Syria's request for anti-aircraft equipment. He said that if the Egyptians refused, he would authorize purchase of the equipment from Czechoslovakia.
[redacted]
[redacted]

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